

CITY OF EMMETSBURG, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CITY OF EMMETSBURG, IOWA
CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	John Schad	January 2, 2012
Mayor Pro Tem	Patrick Degan	January 2, 2012
Council member	Sandy Pelzer	January 2, 2012
Council member	Pam Smith	January 2, 2010
Council member	Corey Gramowski	January 2, 2012
Council member	Brian Campbell	January 2, 2010
Council member	Steve Finer	January 2, 2010
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable
Mayor and
Members of the
City Council City of
Emmetsburg, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Emmetsburg, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Capital assets policies of the City's governmental funds and the component units (gas, water and sanitation) do not conform to generally accepted accounting principles as described in Note 1 D (4) and Note 3 B to the financial statements. The amount by which this departure would affect the assets, fund balances, and expenditures/expenses of the governmental and component unit's funds (gas, water and sanitation) is not reasonably determinable.

In our opinion, except for the effects, if any, of not using capital asset policies that fully conform to generally accepted accounting principles for the governmental and component units (gas, water and sanitation), as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 28, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Emmetsburg, Iowa. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed qualified opinions, for the effects on the financial statements, if any, of the omissions described in the third paragraph of this report, on those financial statements. Other supplementary information including the combining nonmajor fund financial statements, and schedule of revenues by source and expenditures by function - all governmental funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects, if any, of the omissions described in the third paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burdorf, Parrott And Associates, P.C.

December 28, 2009

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2009. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased \$114,080 or 3.16% from fiscal year 2008 to fiscal year 2009. Property taxes increased \$103,043 for all activities.
- Program expenses of the City's governmental activities increased \$867,134 or 22.1% in fiscal year 2009 from fiscal year 2008. Culture and Recreation and Capital Projects expenses increased \$189,953, and \$722,646, respectively.
- The City's net assets for the primary government increased \$823,785 from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased \$751,971 and the net assets of the business-type activities increased by \$71,814.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds and the Internal Service Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, interest on debt and debt related fees and capital outlay not included in capital assets. Property tax, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.
- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net assets for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and						
other assets	\$ 3,858,328	4,275,497	421,590	499,280	4,279,918	4,774,777
Capital assets	8,053,980	6,468,537	191,887	31,779	8,245,867	6,500,316
Total assets	11,912,308	10,744,034	613,477	531,059	12,525,785	11,275,093
Liabilities:						
Long-term debt	3,356,362	3,076,829	-	-	3,356,362	3,076,829
Other liabilities	1,790,240	1,653,470	29,166	18,562	1,819,406	1,672,032
Total liabilities	5,146,602	4,730,299	29,166	18,562	5,175,768	4,748,861
Net assets:						
Invested in capital						
assets, net of						
related debt	4,396,027	3,391,824	191,887	31,779	4,587,914	3,423,603
Restricted	276,476	320,302	-	-	276,476	320,302
Unrestricted	2,093,203	2,301,609	392,424	480,718	2,485,627	2,782,327
Total net assets	\$ 6,765,706	6,013,735	584,311	512,497	7,350,017	6,526,232

Net assets of governmental activities increased from June 30, 2008 by \$751,971 or 12.5%. Net assets of business-type activities increased from June 30, 2008 by \$71,814 or 14.0%. The City's net assets are primarily invested in cash and capital assets, less related debt. By definition, restricted net assets represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are \$2,485,627 at the end of the year.

For the year ended June 30, 2009 and 2008, net assets changed as follows:

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for services	\$ 111,235	21,504	392,697	414,047	503,932	435,551
Operating grants and contributions	364,798	368,594	-	-	364,798	368,594
Capital grants and contributions	366,906	443,603	-	-	366,906	443,603
General Revenues						
Property taxes	1,344,165	1,182,836	-	-	1,344,165	1,182,836
Other City taxes	650,569	578,913	-	-	650,569	578,913
Unrestricted -						
Intergovernmental	-	138,245	-	-	-	138,245
Use of money and property	59,268	81,011	6,412	14,234	65,680	95,245
Miscellaneous	806,382	802,471	-	-	806,382	802,471
Gain on disposal of capital assets	12,500	-	32,000	-	44,500	-
Total revenues	<u>3,715,823</u>	<u>3,617,177</u>	<u>431,109</u>	<u>428,281</u>	<u>4,146,932</u>	<u>4,045,458</u>
Expenses						
Public safety	543,949	501,303	-	-	543,949	501,303
Public works	822,856	860,581	-	-	822,856	860,581
Culture and recreation	495,825	305,300	-	-	495,825	305,300
Community and economic development	105,856	203,559	-	-	105,856	203,559
General government	360,448	297,949	-	-	360,448	297,949
Debt service	144,288	106,727	-	-	144,288	106,727
Capital outlay not included in assets	378,266	193,330	-	-	378,266	193,330
Solid waste	-	-	347,267	340,686	347,267	340,686
Cemetery	-	-	24,796	23,752	24,796	23,752
Total expenses	<u>2,851,488</u>	<u>2,468,749</u>	<u>372,063</u>	<u>364,438</u>	<u>3,223,551</u>	<u>2,833,186</u>
Increase (decrease) in net assets before transfers	864,335	1,148,428	59,046	63,843	923,381	1,212,272
Transfers	<u>77,819</u>	<u>68,158</u>	<u>12,768</u>	<u>18,056</u>	<u>90,587</u>	<u>86,214</u>
Increase (decrease) in net assets	942,154	1,216,586	71,814	81,899	1,013,968	1,298,486
Net assets, beginning	6,013,735	4,794,958	512,497	430,598	6,526,232	5,225,556
Adjustment to beginning balance	<u>(190,183)</u>	<u>2,191</u>	<u>-</u>	<u>-</u>	<u>(190,183)</u>	<u>2,191</u>
Net assets, ending	<u>\$ 6,765,706</u>	<u>6,013,735</u>	<u>584,311</u>	<u>512,497</u>	<u>7,350,017</u>	<u>6,526,233</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,293,182. \$38,600 is reserved for Debt Service, \$68,085 is reserved for Perpetual Care of Cemetery and \$10,965 is reserved for Long-term Receivables. This leaves an unreserved balance of \$2,175,532.

This governmental fund balance decreased by \$241,798 or 9.5%. The decrease was due to expenditures in excess of revenues. The significant decrease was for capital projects.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal, unreserved fund balance of the General Fund was \$519,018. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures. Unreserved fund balance represents 26.4% of the total General Fund expenditures.

The following fund balances in the other major funds, which comprise the Total Governmental Funds, are listed below:

	FY09 Amount	FY08 Amount	Increase (Decrease)
General Fund	\$ 519,018	591,288	(72,270)
Road Use Tax Fund	169,791	195,498	(25,707)
Local Option Sales Tax Fund	274,826	234,807	40,019
Debt Service	14,346	7,637	6,709
Special Assessments Fund	24,254	50,462	(26,208)
PA Gaming Corporation Allocation Fund	178,385	118,205	60,180
Lake Project Fund	255,120	149,524	105,596
Industrial Park Fund	207,725	642,790	(435,065)
South Grand Fund	26,465	(174,774)	201,239

The largest decrease in fund balance for the major funds occurred in the Industrial Park Fund. This was due to bonds issued that had not been spent as of June 30, 2008, but spent as of June 30, 2009.

The South Grand Fund had the largest increase in fund balance for the major funds. This increase was due to the issuance of bonds during 2009.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2009 and June 30, 2008:

Revenues	FY09 Amount	Percent of Total	FY08 Amount	Increase (Decrease) from FY08	Percent of Increase (Decrease)
Property taxes	\$ 1,270,629	34.19%	\$ 1,167,586	\$ 103,043	8.83 %
Tax increment financing	268,524	7.23%	191,200	77,324	40.44 %
Other city tax	450,204	12.11%	374,398	75,806	20.25 %
Licenses and permits	24,446	.66%	34,755	(10,309)	(29.66)%
Use of money and property	59,268	1.59%	81,011	(21,743)	(26.84)%
Intergovernmental	731,704	19.69%	950,442	(218,738)	(23.01)%
Charges for services	111,235	2.99%	21,504	89,731	417.28 %
Special assessments	18,193	.49%	38,972	(20,779)	(53.32) %
Miscellaneous, including fines	781,936	21.05%	742,193	39,743	5.35 %
	<u>\$ 3,716,139</u>	<u>100.00%</u>	<u>\$ 3,602,061</u>	<u>\$ 114,078</u>	<u>3.17 %</u>

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2009 and June 30, 2008.

Expenditures	FY09 Amount	Percent of Total	FY 08 Amount	Increase (Decrease) from FY07	Percent of Increase (Decrease)
Public safety	\$ 519,473	10.84%	\$ 481,599	\$ 37,874	7.86 %
Public works	738,259	15.40%	767,749	(29,490)	(3.84)%
Culture and recreation	497,514	10.38%	307,561	189,953	61.76 %
Community and Economic Development	104,993	2.19%	203,066	(98,073)	(48.30)%
General government	362,252	7.56%	320,051	42,201	13.19 %
Debt Service	513,374	10.71%	511,351	2,023	.40 %
Capital projects	2,057,612	42.92%	1,334,966	722,646	54.13 %
	<u>\$ 4,793,477</u>	<u>100.00%</u>	<u>\$ 3,926,343</u>	<u>\$ 867,134</u>	<u>22.09 %</u>

The most significant increase in expenditures occurred in the Culture and Recreation function. The increase occurred primarily because the City purchased a municipal golf course during FY09. Community and Economic Development function was the largest decrease in expenditures for FY09.

Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste and Cemetery funds at the end of the year amounted to \$392,424.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery Fund. Results of operations for these funds for the year ended June 30, 2009 and June 30, 2008 are as follows:

	Solid Waste		Cemetery	
	2009	2008	2009	2008
Operating Revenues	\$ 371,477	399,137	21,220	14,910
Operating Expense	347,267	340,686	24,796	23,752
Non-Operating revenues	36,899	11,234	1,513	3,000
Operating transfers in	-	-	12,768	18,056
Changes in Net Assets	504,085	69,685	80,226	12,214

Budgetary Highlights

Over the course of the year, the City Council revised the budget twice. The budget amendments increased appropriations to cover unplanned expenditures/expenses and transfers. The budget amendments were on September 22, 2008 and May 26, 2009.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2009 the City had \$8,245,867 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component units that had \$10,083,284 invested in capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless they were considered as construction in progress on July 1, 2003.

A schedule of capital assets as of June 30, 2009 and 2008 is as follows.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 27,920	2,920	16,253	16,949	44,173	19,869
Machinery, equipment, and vehicles	1,058,842	867,391	125,648	824	1,184,490	868,215
Buildings	553,387	481,597	20,566	14,006	573,953	495,603
Infrastructure	4,567,999	4,227,341	-	-	4,567,999	4,227,341
Construction in process	1,845,832	889,288	29,420	-	1,875,252	889,288
	<u>\$ 8,053,980</u>	<u>6,468,537</u>	<u>191,887</u>	<u>31,779</u>	<u>8,245,867</u>	<u>6,500,316</u>

The major capital assets added during the current fiscal year included the following:

- Municipal golf course and equipment for \$284,206.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the City had \$3,658,455 in outstanding bonds and agreements compared to \$3,266,781 last year. That is an increase of \$391,674, or 11.9%.

	<u>Governmental activities</u>	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 3,415,000	2,985,000
Tax increment financing agreement	230,108	281,781
Lease purchase	13,347	-
Total	<u>\$ 3,658,455</u>	<u>3,266,781</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2009, the City's legal additional debt margin was \$5,303,275.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2003, the legislature permanently eliminated certain state funding to local governments starting in the year ended June 30, 2004 and will continue in the future. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

The City has been helped by the new Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations cannot be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2010 are provided below:

General levy	\$ 8.10000
Liability, property & self insurance	.69214
Instrumental/vocal music levy	.13500
Ag land levy	3.00375
Emergency levy	.27000
Employee benefit levy	4.24286
Debt service levy	<u>.77439</u>
Total	\$ <u>17.21814</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator's Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as "Emmetsburg Municipal Utilities".

John Bird
City Administrator

City of Emmetsburg, Iowa
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,135,660	404,750	2,540,410
Investments	2,352	-	2,352
Receivables, net of allowance for uncollectible amounts:			
Property taxes	1,164,004	-	1,164,004
Accrued interest	-	-	-
Special assessments	57,395	-	57,395
Accounts	11,889	-	11,889
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Other	10,965	-	10,965
Due from primary government			
Due from component unit	180,015	-	180,015
Due from other governments	292,282	-	292,282
Inventories	3,766	10,651	14,417
Prepays and other assets	-	6,189	6,189
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$6,380 amortization)	-	-	-
Capital assets:			
Land, land improvements and construction in progress	1,951,881	49,210	2,001,091
Other capital assets, net of accumulated depreciation	6,102,099	142,677	6,244,776
Total assets	<u>11,912,308</u>	<u>613,477</u>	<u>12,525,785</u>
LIABILITIES			
Accounts payable	281,319	24,201	305,520
Accrued liabilities	16,656	1,227	17,883
Interest payable on bonds and other long-term debt	10,270	-	10,270
Due to primary government	-	-	-
Customer deposits	-	-	-
Compensated absences	47,540	3,738	51,278
Long-term liabilities:			
Succeeding year unearned revenue	1,132,864	-	1,132,864
Due to component unit-Urban Renewal Tax Increment Revenue Bond	34,046	-	34,046
Portion due or payable within one year:			
Bonds and other payables	267,545	-	267,545
Portion due or payable after one year:			
Bonds and other payables	3,356,362	-	3,356,362
Total liabilities	<u>5,146,602</u>	<u>29,166</u>	<u>5,175,768</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,396,027	191,887	4,587,914
Restricted:			
Streets	169,791	-	169,791
Debt service	38,600	-	38,600
Perpetual care	68,085	-	68,085
Unrestricted	2,093,203	392,424	2,485,627
Total net assets	<u>\$ 6,765,706</u>	<u>584,311</u>	<u>7,350,017</u>

See notes to financial statements

Component Units		
Gas Utility	Water Utility	Sanitation Utility
3,262,920	1,289,209	602,011
-	-	-
32,836	70,662	70,373
-	-	-
-	-	-
-	-	-
-	-	-
7,895	-	-
1,107	1,291	1,291
5,093	6,032	5,763
2,102	628	628
-	-	-
-	-	-
-	-	-
5,922	14,769	16,970
56,025	11,570	-
25,000	-	-
9,107	10,625	10,625
-	27,625	6,495
1,039	67,067	111,231
734,138	4,749,049	4,420,760
4,143,184	6,248,527	5,246,147
31,547	17,600	25,338
5,410	-	-
-	6,085	1,993
46,234	75,394	58,862
56,025	11,570	-
3,065	3,712	2,820
-	-	-
-	-	-
-	112,000	105,000
-	2,322,000	742,000
142,281	2,548,361	936,013
735,177	2,382,116	3,684,991
-	-	-
-	-	-
-	-	-
3,265,726	1,318,050	625,143
4,000,903	3,700,166	4,310,134

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2009

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 543,949	8,272	6,809	-
Public works	822,856	-	323,564	89,140
Culture and recreation	495,825	102,963	34,425	6,891
Community and economic development	105,856	-	-	70,875
General government	360,448	-	-	-
Interest on long-term debt and related fees	144,288	-	-	-
Capital outlay not included in capital assets	378,266	-	-	200,000
Total governmental activities	2,851,488	111,235	364,798	366,906
Business-type activities:				
Solid Waste	347,267	371,477	-	-
Cemetery	24,796	21,220	-	-
Total business-type activities	372,063	392,697	-	-
Total primary government	\$ 3,223,551	503,932	364,798	366,906
Component units				
Gas Utility	\$ 2,193,857	2,577,978	-	-
Water Utility	675,593	607,822	-	-
Sanitation Utility	608,383	628,942	-	-
Total component units	\$ 3,477,833	3,814,742	-	-
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment to beginning balance				
Net assets - ending				

Note to statement of activities:

The City is dredging Five Island Lake that belongs to the State of Iowa. The City budgets the expenditure as a capital outlay; however, the City does not include the cost of the dredging in its capital assets because it doesn't own the lake and most of the lake is outside the City limits. Therefore, capital outlay is shown as an expenditure on this statement.

The City owns the assets used for the dredging project and those assets are recorded in capital asset on the Statement of Net Assets.

The City also budgets in capital projects assets for nonprofits that the City does not own.

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(528,868)	-	(528,868)	-	-	-
(410,152)	-	(410,152)	-	-	-
(351,546)	-	(351,546)	-	-	-
(34,981)	-	(34,981)	-	-	-
(360,448)	-	(360,448)	-	-	-
(144,288)	-	(144,288)	-	-	-
(178,266)	-	(178,266)	-	-	-
<u>(2,008,549)</u>	<u>-</u>	<u>(2,008,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	24,210	24,210	-	-	-
-	(3,576)	(3,576)	-	-	-
-	<u>20,634</u>	<u>20,634</u>	-	-	-
<u>(2,008,549)</u>	<u>20,634</u>	<u>(1,987,915)</u>	-	-	-
-	-	-	384,121	-	-
-	-	-	-	(67,771)	-
-	-	-	-	-	20,559
-	-	-	<u>384,121</u>	<u>(67,771)</u>	<u>20,559</u>
\$ 1,344,165	-	1,344,165	-	-	-
268,524	-	268,524	-	-	-
281,596	-	281,596	-	-	-
100,449	-	100,449	-	-	-
59,268	6,412	65,680	31,839	15,974	6,545
806,382	-	806,382	-	-	-
12,500	32,000	44,500	-	-	-
77,819	12,768	90,587	(78,587)	(6,000)	(6,000)
<u>2,950,703</u>	<u>51,180</u>	<u>3,001,883</u>	<u>(46,748)</u>	<u>9,974</u>	<u>545</u>
942,154	71,814	1,013,968	337,373	(57,797)	21,104
6,013,735	512,497	6,526,232	3,663,530	3,757,963	4,289,030
(190,183)	-	(190,183)	-	-	-
<u>\$ 6,765,706</u>	<u>584,311</u>	<u>7,350,017</u>	<u>4,000,903</u>	<u>3,700,166</u>	<u>4,310,134</u>

City of Emmetsburg, Iowa
Balance Sheet
Governmental Funds
June 30, 2009

		Special Revenue		Debt Service
	General Fund	Road Use Tax Fund	Local Option Sales Tax Fund	Debt Service Fund
ASSETS				
Cash	\$ 566,964	222,085	247,058	9,780
Investments	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Property taxes	16,665	-	-	3,863
Special assessments	-	-	-	-
Accounts	422	-	-	-
Other	-	-	-	-
Due from component unit	73,582	-	-	-
Due from other funds	3,273	331	-	703
Due from other governments	1,743	26,429	27,768	-
Inventories	3,766	-	-	-
Total assets	<u>\$ 666,415</u>	<u>248,845</u>	<u>274,826</u>	<u>14,346</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$ 99,897	63,781	-	-
Accrued liabilities	13,628	1,841	-	-
Deferred revenue	-	-	-	-
Compensated absences - current	33,872	13,432	-	-
Due to other funds	-	-	-	-
Due to Component Unit	-	-	-	-
Total liabilities	<u>147,397</u>	<u>79,054</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	14,346
Perpetual Care	-	-	-	-
Long-term loan receivable	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	519,018	-	-	-
Special revenue funds	-	169,791	274,826	-
Capital projects funds	-	-	-	-
Total fund balances	<u>519,018</u>	<u>169,791</u>	<u>274,826</u>	<u>14,346</u>
Total liabilities and fund balances	<u>\$ 666,415</u>	<u>248,845</u>	<u>274,826</u>	<u>14,346</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,389,256

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Long-term special assessments receivable are not considered available to pay for current period's expenditures and reported as deferred revenues in the funds.

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized discount of \$34,548
Net assets of governmental activities

See notes to financial statements

Debt Service	Capital Projects				Other	Total
Special Assessments Fund	PA Gaming Corporation Allocation Fund	Lake Project Fund	Industrial Park Fund	South Grand Fund	Governmental Funds	Governmental Funds
21,554	178,780	59,841	144,676	83,107	601,815	2,135,660
-	-	-	-	-	2,352	2,352
-	-	-	-	-	10,612	31,140
57,395	-	-	-	-	-	57,395
-	7,398	-	-	-	4,069	11,889
-	-	-	-	-	10,965	10,965
-	-	-	106,433	-	-	180,015
-	-	-	-	-	-	4,307
2,700	-	200,000	-	-	4,270	262,910
-	-	-	-	-	-	3,766
81,649	186,178	259,841	251,109	83,107	634,083	2,700,399
-	7,793	3,298	43,384	56,642	6,524	281,319
-	-	1,187	-	-	-	16,656
57,395	-	-	-	-	-	57,395
-	-	236	-	-	-	47,540
-	-	-	-	-	4,307	4,307
-	-	-	-	-	-	-
57,395	7,793	4,721	43,384	56,642	10,831	407,217
24,254	-	-	-	-	-	38,600
-	-	-	-	-	68,085	68,085
-	-	-	-	-	10,965	10,965
-	-	-	-	-	-	519,018
-	-	-	-	-	153,087	597,704
-	178,385	255,120	207,725	26,465	391,115	1,058,810
24,254	178,385	255,120	207,725	26,465	623,252	2,293,182
81,649	186,178	259,841	251,109	83,107	634,083	
						8,053,980
						29,372
						57,395
						(10,270)
						(3,657,953)
						\$ 6,765,706

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

		Special Revenue		Debt Service
	General	Road Use	Local Option	Debt Service
	Fund	Tax Fund	Sales Tax Fund	Fund
Revenues:				
Property taxes	\$ 776,120	-	-	180,301
Tax increment financing	-	-	-	-
Other city taxes	147,088	-	290,883	4,210
Licenses and permits	24,221	-	-	-
Use of money and property	40,819	-	3,679	793
Intergovernmental	35,275	323,564	-	-
Charges for services	109,855	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	11,263	-	-	-
Miscellaneous	145,449	-	-	-
Total revenues	<u>1,290,090</u>	<u>323,564</u>	<u>294,562</u>	<u>185,304</u>
Expenditures:				
Current:				
Public safety	519,473	-	-	-
Public works	235,209	503,050	-	-
Culture and recreation	490,702	-	-	-
Community and economic development	85,337	-	-	-
General government	362,252	-	-	-
Debt service	-	-	-	511,874
Capital projects	272,206	-	-	-
Total expenditures	<u>1,965,179</u>	<u>503,050</u>	<u>-</u>	<u>511,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(675,089)</u>	<u>(179,486)</u>	<u>294,562</u>	<u>(326,570)</u>
Other financing sources (uses)				
Bonds and notes issued	13,346	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	694,185	153,779	34,994	333,279
Transfers out	(104,712)	-	(289,537)	-
Total other financing sources (uses)	<u>602,819</u>	<u>153,779</u>	<u>(254,543)</u>	<u>333,279</u>
Net change in fund balances	<u>(72,270)</u>	<u>(25,707)</u>	<u>40,019</u>	<u>6,709</u>
Fund balances (deficits), beginning	591,288	195,498	234,807	7,637
Fund balances, ending	<u>\$ 519,018</u>	<u>169,791</u>	<u>274,826</u>	<u>14,346</u>

See notes to financial statements

Debt Service	Capital Projects				Other	Total
Special Assessments Fund	PA Gaming Corporation Allocation Fund	Lake Project Fund	Industrial Park Fund	South Grand Fund	Governmental Funds	Governmental Funds
-	-	-	-	-	314,208	1,270,629
-	-	-	-	-	268,524	268,524
-	-	-	-	-	8,023	450,204
-	-	-	-	-	225	24,446
599	867	-	5,190	1,417	5,904	59,268
-	-	200,000	82,692	-	90,173	731,704
-	-	-	-	-	1,380	111,235
18,193	-	-	-	-	-	18,193
-	-	-	-	-	-	11,263
-	412,295	50,428	-	-	162,501	770,673
18,792	413,162	250,428	87,882	1,417	850,938	3,716,139
-	-	-	-	-	-	519,473
-	-	-	-	-	-	738,259
-	-	-	-	-	6,812	497,514
-	-	-	-	-	19,656	104,993
-	-	-	-	-	-	362,252
-	-	-	-	1,500	-	513,374
-	322,626	138,562	522,947	543,053	258,218	2,057,612
-	322,626	138,562	522,947	544,553	284,686	4,793,477
18,792	90,536	111,866	(435,065)	(543,136)	566,252	(1,077,338)
-	-	-	-	750,000	-	763,346
-	-	-	-	(5,625)	-	(5,625)
-	45,577	41,395	-	-	316,913	1,620,122
(45,000)	(75,933)	(47,665)	-	-	(979,456)	(1,542,303)
(45,000)	(30,356)	(6,270)	-	744,375	(662,543)	835,540
(26,208)	60,180	105,596	(435,065)	201,239	(96,291)	(241,798)
50,462	118,205	149,524	642,790	(174,774)	719,542	2,534,979
24,254	178,385	255,120	207,725	26,465	623,251	2,293,181

City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental \$ (241,798)

Amounts reported for governmental activities in the statement of Activities are Different because:

Governmental funds report capital outlays as expenditures while Governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	1,863,965
Depreciation expense	(291,061)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and disposals) is to increase/decrease net assets:

Gain from the disposal of capital assets	12,500
--	--------

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenue and are deferred in the governmental funds, as follows:

Local option sales tax	(9,287)
Hotel/motel taxes	(180)

The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government- wide statements

(3,349)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in this Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year Repayments exceeded issues, as follows:

New debt issued	(763,346)
Discount on general obligation bond	5,625
Repaid	375,220
Accrued interest	2,421
Amortization of discount on general obligation bonds	(8,556)

Change in net assets of governmental activity	\$ <u>942,154</u>
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See notes to financial statements

City of Emmetsburg, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 364,852	39,898	404,750
Inventories	10,651	-	10,651
Prepaid insurance	6,189	-	6,189
Total current assets	<u>381,692</u>	<u>39,898</u>	<u>421,590</u>
Capital assets:			
Land and improvements	-	19,791	19,791
Buildings	28,509	2,795	31,304
Equipment and vehicles	243,921	7,034	250,955
Construction in progress	-	29,419	29,419
Accumulated depreciation	<u>(127,030)</u>	<u>(12,552)</u>	<u>(139,582)</u>
Total capital assets	<u>145,400</u>	<u>46,487</u>	<u>191,887</u>
Total assets	<u>527,092</u>	<u>86,385</u>	<u>613,477</u>
LIABILITIES			
Current liabilities:			
Accounts payable	18,057	6,144	24,201
Other payables	1,212	15	1,227
Compensated absences - due within one year	3,738	-	3,738
Total current liabilities	<u>23,007</u>	<u>6,159</u>	<u>29,166</u>
NET ASSETS			
Invested in capital assets, net of related debt	145,400	46,487	191,887
Unrestricted	358,685	33,739	392,424
Total net assets	<u>\$ 504,085</u>	<u>80,226</u>	<u>584,311</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Asset
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
Operating revenues:			
Charges for services	\$ 371,477	15,700	387,177
Other	-	5,520	5,520
Total operating revenues	<u>371,477</u>	<u>21,220</u>	<u>392,697</u>
Operating expenses:			
Personal services	156,073	1,669	157,742
Contractual services	149,195	19,371	168,566
Supplies and equipment	28,633	2,798	31,431
Depreciation	13,366	958	14,324
Total operating expenses	<u>347,267</u>	<u>24,796</u>	<u>372,063</u>
Operating income (loss)	<u>24,210</u>	<u>(3,576)</u>	<u>20,634</u>
Nonoperating revenues (expenses):			
Interest revenue	4,899	1,513	6,412
Gain on disposal of capital assets	32,000	-	32,000
Total nonoperating revenues (expenses)	<u>36,899</u>	<u>1,513</u>	<u>38,412</u>
Income before transfers	<u>61,109</u>	<u>(2,063)</u>	<u>59,046</u>
Transfers in	<u>-</u>	<u>12,768</u>	<u>12,768</u>
Change in net assets	61,109	10,705	71,814
Net assets, beginning	442,976	69,521	512,497
Net assets, ending	<u>\$ 504,085</u>	<u>80,226</u>	<u>584,311</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 387,078	21,288	408,366
Payments to suppliers	(181,472)	(16,466)	(197,938)
Payments to employees	(153,618)	(1,654)	(155,272)
Net cash provided by operating activities	51,988	3,168	55,156
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital assets	(113,013)	(29,419)	(142,432)
Net cash provided by (used for) capital and related financing activities	(113,013)	(29,419)	(142,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	12,768	12,768
Cash from or (to) Component Units	(340)	-	(340)
Net cash provided by (used for) noncapital financing activities	(340)	12,768	12,428
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	4,899	1,513	6,412
Net increase (decrease) in cash	(56,466)	(11,970)	(68,436)
CASH BALANCES, Beginning	421,318	51,868	473,186
CASH BALANCES, Ending	\$ 364,852	39,898	404,750
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 24,210	(3,576)	20,634
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,366	958	14,324
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	15,601	68	15,669
Inventories	(226)	-	(226)
Prepaid insurance	(6,189)	-	(6,189)
Increase (decrease) in accounts payable, accrued and other liabilities	5,226	5,718	10,944
Net cash provided by operating activities	\$ 51,988	3,168	55,156

See notes to financial statements

**CITY OF EMMETSBURG, IOWA
NOTES TO FINANCIAL STATEMENTS
INDEX**

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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

Discretely Presented Component Units. The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

Jointly Governed Organizations. The City also participates in one jointly governed organization for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participated with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library is an asset of the College and its audit is included in the college audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net assets presents the assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are, aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual has been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

The *local option sales tax fund* accounts for taxes collected and expenditures in accordance with the ballot issue. 80% is to be extended for streets, infrastructure and other essential corporate purposes, and 20% for community betterment.

The *debt service fund* accounts for taxes levied in the payment of City debt.

The *special assessments fund* account for the servicing of special assessment debt.

The *PA Gaming Corporation allocation fund* accounts for resources allocated to the City by agreement with the Wild Rose Casino and for grants applied for by the City that is used for community improvements.

The *lake project fund* accounts for the dredging of Five Island Lake. The lake is an asset of the State of Iowa.

The *industrial park fund* accounts for the improvements at the industrial park.

The *South Grand fund* accounts for repairs to South Grand Street following a recent major improvement.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component unit and various other functions of the government. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues do not include all taxes. The taxes are recorded as a liability and submitted to the taxing authority from the liability account.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City are reported at fair value. Due to legal reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax fund. The Cemetery fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2009, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2008 and March 31, 2009. On July 1, 2008 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2008-2009 tax levy remitted to the City within sixty days subsequent to June 30, 2009, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2009, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. Inventories and Prepaid Items

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories are not recognized as expenditures when purchased as required by generally accepted accounting principles. The cost is recognized as expenditures when consumed. However, the amount is not material to the financial statements.

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are defined by the government as equipment with initial, individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-10 years
Improvements	15-20 years
Infrastructure	25-40 years
Buildings	20-50 years

5. *Compensated Absences*

City employees accumulate vacation and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment. The liability for compensated absences is recorded as current in the government-wide statements since historical trends indicate none are long-term.

The compensated absence liability has been computed based on rates of pay in effect on June 30, 2009.

6. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Stewardship, Compliance, and Accountability

A. *Budgetary information*

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Finance Officer who prepares, for the Council's, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year. The City Council holds various budget meetings with the Mayor, City Clerk,

department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolution during the year ended June 30, 2009.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the City Clerk.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by, City Council.

The City budgets all revenues, expenditures and expenses, and interfund and

intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been determined.

The City had no investments meeting the disclosure requirements, of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy does not allow investments in commercial paper, other corporate debt, commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

Governmental activities:

Asset costs	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>30-Jun-09</u>
Land and land improvements	\$ 2,920	25,000	-	27,920
Machinery and equipment, Vehicles	2,187,301	463,022	-	2,650,323
Buildings	829,534	221,390	-	1,050,924
Infrastructure	4,657,689	210,548	-	4,868,237
Construction in progress	889,288	1,083,840	(127,296)	1,845,832
Total asset costs	<u>8,566,732</u>	<u>2,003,800</u>	<u>(127,296)</u>	<u>10,443,236</u>

Less accumulated depreciation

Machinery and equipment, Vehicles	1,449,591	141,890	-	1,591,481
Buildings	470,671	26,866	-	497,537
Infrastructure	177,933	122,305	-	300,238
Total accumulated depreciation	<u>2,098,195</u>	<u>291,061</u>	<u>-</u>	<u>2,389,256</u>

Governmental activities, capital assets, net

\$ <u>6,468,537</u>	<u>1,712,739</u>	<u>(127,296)</u>	<u>8,053,980</u>
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Business- type activities:

	Balance July 1, 2008	Additions	Deletions	Balance 30-Jun-09
Asset costs				
Land and land improvements	19,791	-	-	19,791
Machinery and equipment, Vehicles	194,413	137,600	(81,058)	250,955
Buildings	23,891	7,412	-	31,303
Construction in progress	-	29,420		29,420
Total asset costs	<u>238,095</u>	<u>174,432</u>	<u>(81,058)</u>	<u>331,469</u>
Less accumulated depreciation				
Land and improvements	2,842	696	-	3,538
Machinery and equipment, Vehicles	193,589	12,775	(81,058)	125,306
Buildings	<u>9,885</u>	<u>853</u>	<u>-</u>	<u>10,738</u>
Total accumulated depreciation	<u>206,316</u>	<u>14,324</u>	<u>(81,058)</u>	<u>139,582</u>
Business- type assets, net	<u><u>31,779</u></u>	<u><u>160,108</u></u>	<u><u>-</u></u>	<u><u>191,887</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 34,627
Public works	195,620
Culture and recreation	54,984
Community and economic development	863
General government	<u>4,968</u>
Total depreciation expense-governmental funds	<u>\$ 291,062</u>

Business-type activities:

Solid waste	\$ 13,366
Cemetery	<u>958</u>
	<u>\$ 14,324</u>

Construction Commitments

The City has active construction projects as of June 30, 2009. At year-end the City's commitments with contractors are as follows:

Governmental activities:

	Project Authorization	Expended To Date	Remaining Commitment
South Grand Street	\$ 1,340,292	1,279,158	61,134
Less: repair is not recorded in Construction in progress	-	(71,884)	-
Monroe Street	A	64,008	A
Industrial park	785,571	554,666	230,905
Airport environment assessment	59,447	19,884	39,563
	<u>\$ 2,185,310</u>	<u>1,845,832</u>	<u>331,602</u>

Business- type activities:

Columbarium	\$ <u>41,091</u>	<u>29,420</u>	<u>11,671</u>
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A- Postponed until FY 11

Discretely Presented Component Units

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Gas department:				
Land	\$ 1,039	-	-	1,039
Structures and plant	333,319	3,216	-	336,535
Distribution system	1,154,092	-	-	1,154,092
Equipment, meters and mains	811,853	31,311	-	843,164
total asset costs	<u>2,300,303</u>	<u>34,527</u>	<u>-</u>	<u>2,334,830</u>
Less accumulated depreciation	<u>(1,543,475)</u>	<u>(56,178)</u>	<u>-</u>	<u>(1,599,653)</u>
Gas department assets, net	<u>\$ 756,828</u>	<u>(21,651)</u>	<u>-</u>	<u>735,177</u>

		Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Water Department:					
Land	\$	67,067	-	-	67,067
Structures and plant		3,942,440	-	-	3,942,440
Distribution system		1,927,171	67,615	-	1,994,786
Equipment, meters and mains		1,005,847	16,999		1,022,846
total asset costs		6,942,525	84,614	-	7,027,139
Less accumulated depreciation		(2,002,030)	(208,993)		(2,211,023)
Water department assets, net	\$	<u>4,940,495</u>	<u>(124,379)</u>	<u>-</u>	<u>4,816,116</u>
Sanitation Department:					
Land	\$	84,542	-	-	84,542
Structures and plant		4,348,889	3,216	-	4,352,105
Distribution system		1,450,687	199,415	-	1,650,102
Equipment, meters and mains		1,657,579	39,064		1,696,643
total asset costs		7,541,697	241,695	-	7,783,392
Less accumulated depreciation		(3,100,088)	(178,002)	-	(3,278,090)
		4,441,609	63,693	-	4,505,302
Construction in progress		-	26,689	-	26,689
Sanitation department assets, net	\$	<u>4,441,609</u>	<u>90,382</u>	<u>-</u>	<u>4,531,991</u>

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$3,380,452, net of unamortized discount, are outstanding as of June 30, 2009. These bonds bear interest with rates ranging from 1.50% to 5.45%; mature in varying annual amounts through June 30, 2017; and were originally issued for \$4,110,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 210,000	115,953
2011	2,135,000	108,577
2012	230,000	42,463
2013	240,000	33,882
2014	245,000	24,653
2015 – 2017	355,000	25,500
Total	\$ 3,415,000	351,028

Tax Increment Financing Agreements

An Emmetsburg, Iowa company has constructed public infrastructure located in the North Urban Renewal Area. In recognition of the companies obligation the city agreed to make payments on December 1 and June 1 of each fiscal year, beginning December 1, 2004, and continuing on nine additional fiscal years there after, or until the total principal of \$300,000 has been paid, whichever occurs first. Incremental property taxes are produced by multiplying the consolidated property tax levy times the incremental valuation of the property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies, which may be exempt from such calculation by action of the Iowa General assembly. Future years payment amounts are unknown. \$158,606 remains outstanding as of June 30, 2009.

A Palo Alto County Company has constructed public infrastructure located in the South Urban Renewal Area. In recognition of the Company's obligation the City agreed to make ten semi-annual tax increment payments in the aggregate principal amount of \$105,000 plus interest at 8.30% per annum, maturing June 1, 2012. \$71,502 remains outstanding as of June 30, 2009. Annual debt service requirements to maturity for the tax increment financing agreement are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 21,924	5,489
2011	23,781	3,632
2012	25,797	1,617
Total	\$ 71,502	10,738

Capital lease

The City leases equipment under a capital lease agreement. The economic substance of the lease, is that the city is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Cities, assets and liabilities.

The following is an analysis is assets included in capital assets:

2009 John Deere Mower	\$	13,250
2009 John Deere flex, deck		<u>5,250</u>
		18,500
Less accumulated depreciation		<u>(330)</u>
	\$	<u><u>18,170</u></u>

The following is the schedule by years of future minimum payments:

Year ending June 30:	Principal	Interest
2010	\$ 4,122	1,033
2011	4,440	714
2012	<u>4,785</u>	<u>371</u>
	\$ <u><u>13,347</u></u>	<u><u>2,118</u></u>

As of June 30, 2009, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated Actual valuation of taxable property with the City	\$	<u><u>173,674,549</u></u>
Debt limit - 5% of total actual valuation	\$	8,683,727
Debt applicable to debt limit:		
General obligation bonds		<u>3,380,452</u>
Legal debt margin	\$	<u><u>5,303,275</u></u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2009, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2009, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance July 1, 2008	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2009
Governmental Activities:					
<u>General obligation bonds:</u>					
\$1,060,000 street Improvement	1996	\$ 115,000	-	115,000	-
475,000 corporate purpose	2004	300,000	-	45,000	255,000
\$1,050,000 corporate purpose	2005	790,000	-	100,000	690,000
\$675,000 street improvement	2006	615,000	-	60,000	555,000
\$1,165,000 GO corporate Purpose bond anticipation notes, series 2008	2008	1,165,000	-	-	1,165,000
750,000 general obligation Corporate purpose bond anticipation notes, series 2008B	2008	-	750,000	-	750,000
		2,985,000	750,000	320,000	3,415,000
Less unamortized discount		37,478	5,625	8,555	34,548
		<u>2,947,522</u>	<u>744,375</u>	<u>311,445</u>	<u>3,380,452</u>
<u>Tax increment financing:</u>					
Medium lake development	2003	190,068	-	31,462	158,606
Housing development	2006	91,713	-	20,211	71,502
		<u>281,781</u>	<u>-</u>	<u>51,673</u>	<u>230,108</u>
<u>Lease purchase agreement</u>	2009	-	18,501	5,154	13,347
Governmental activity total long- term debt		<u>\$ 3,229,303</u>	<u>762,876</u>	<u>368,272</u>	<u>3,623,907</u>

Component Unit Debt Information:

Revenue Bonds and Installment Agreements – Water and Sanitation Utility

The Series 1998A, 1998B, 2005MC60R, 2005 revenue bonds and Iowa Finance Authority Loan and Disbursement Agreement require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 3.00% and 4.23%. The Iowa Finance Authority Loan and Disbursement Agreement interest rate is 0%. The bonds are secured by the future net revenues of the Utility. Long-term debt matures and bears interest as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 217,000	96,930	313,930
2011	170,000	91,920	261,920
2012	174,000	86,820	260,820
2013	177,000	81,600	258,600
2014	186,000	80,190	266,190
2015-2026	<u>2,357,000</u>	<u>459,990</u>	<u>2,816,990</u>
	<u>\$ 3,281,000</u>	<u>897,450</u>	<u>4,178,450</u>

Debt Summary – Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2009
Revenue bonds:				
Water Utility:				
Series 2005	\$ 2,543,000	-	109,000	2,434,000
Sanitation Utility:				
Series 1998A	210,000	-	20,000	190,000
Series 1998B	112,000	-	10,000	102,000
Series 2005 MC60R	<u>530,000</u>	<u>-</u>	<u>25,000</u>	<u>505,000</u>
Total revenue bonds	3,395,000	-	164,000	3,231,000
Sanitation Utility: Loan and disbursement agreement	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total long-term debt	<u>\$ 3,445,000</u>	<u>-</u>	<u>164,000</u>	<u>3,281,000</u>

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2009 balance is \$34,046.

The long-term due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,		Principal	Interest	Total
2010	\$	3,690	1,325	5,015
2011		3,839	1,176	5,015
2012		3,994	1,021	5,015
2013		4,155	860	5,015
2014		4,323	692	5,015
2015-2017		14,045	1,000	15,045
	\$	<u>34,046</u>	<u>6,074</u>	<u>40,120</u>

E.. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	PA Gaming Corporation Allocation Fund	\$ 63,165
	Component Unit	77,819
	Local Option Sales Tax Fund	109,740
	Non-major Governmental Funds	443,461
		<u>694,185</u>
Road Use Tax Fund	Non-major Governmental Funds	85,891
	Local Option Sales Tax Fund	67,888
		<u>153,779</u>
Local Option Sales Tax Fund	Non-major Governmental Funds	<u>34,994</u>
Debt Service Fund	Local Option Sales Tax Fund	25,000
	Lake Project Fund	38,665
	Special Assessments Fund	45,000
	Non-major Governmental Funds	224,614
		<u>333,279</u>
PA Gaming Corporation Allocation Fund	General Fund	24,950
	Non-major Governmental Funds	20,627
		<u>45,577</u>
Lake Project Fund	General Fund	1,395
	Non-major Governmental Funds	40,000
		<u>41,395</u>
Non-major Governmental Funds	General Fund	78,367
	Local Option Sales Tax Fund	86,909
	PA Gaming Corporation Allocation Fund	12,768
	Lake Project Fund	9,000
	Non-major Governmental Funds	129,869
		<u>316,913</u>
	Total	\$ <u><u>1,620,122</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from general fund, capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

F. Interfund Balances

Individual interfund receivables and payable balances by fund type as of June 30, 2009 were stated in the fund financial statements as follows:

Fund	Receivable	Payable
General Fund	\$3,273	\$ -
Road Use Tax Fund	331	-
Debt Service Fund	703	-
Nonmajor Governmental Funds	4,307	4,307

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$64,505, \$54,282 and \$ \$55,008 respectively, equal to the

required contributions for each year.

Deferred Compensation Plan

The City offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

B. Other Employee Benefits

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a medical reimbursement plan. The City had no material claims incurred but not reported as of June 30, 2009.

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2009, the Component Unit collected \$329,187 in fees for the Solid Waste Fund.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Prior Period Adjustment

The City adjusted the beginning balance for the following items:

Medium Lake development tax increment financing debt	\$190,068
Other	115

The City had not recorded the tax increment financing liability to Medium Lake development in the past. The expenditure for the liability was budgeted in community and economic development.

F. Governmental Accounting Standards Board Statements

GASB statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, establishes uniform financial reporting standards for other Post employment benefit plans (OPEB plans) and supersedes existing guidance. The adoption of this standard had no effect on the City in the current year.

The GASB Board has issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, issued to 2004, will be effective for the City beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, no disclosures and, if applicable, required supplementary information in the financial reports.

City of Emmetsburg, Iowa
Budgetary Comparison Schedule - Function Budget
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,388,641	1,388,641	1,270,629	(118,012)
Tax increment financing	268,368	268,368	268,524	156
Other City taxes	468,890	484,010	450,204	(33,806)
Licenses and permits	36,966	36,966	24,446	(12,520)
Use of money and property	106,765	107,765	120,038	12,273
Intergovernmental	2,657,536	3,134,903	731,704	(2,403,199)
Charges for services	5,045,730	5,143,280	4,313,154	(830,126)
Special Assessments	188,225	188,225	18,193	(170,032)
Miscellaneous	44,200	44,200	787,456	743,256
Total revenues	<u>10,205,321</u>	<u>10,796,358</u>	<u>7,984,348</u>	<u>(2,812,010)</u>
Expenditures:				
Current:				
Public safety	523,201	529,856	519,473	10,383
Public works	713,805	832,465	738,259	94,206
Culture and recreation	308,572	592,687	497,514	95,173
Community and economic development	338,192	396,742	104,993	291,749
General government	316,711	380,621	362,252	18,369
Debt service	508,993	513,806	513,374	432
Capital projects	4,290,268	3,354,844	2,057,612	1,297,232
Business-type	5,343,247	5,343,247	3,849,896	1,493,351
Total expenditures	<u>12,342,989</u>	<u>11,944,268</u>	<u>8,643,373</u>	<u>3,300,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,137,668)</u>	<u>(1,147,910)</u>	<u>(659,025)</u>	<u>488,885</u>
Other financing sources (uses):				
Debt proceeds	1,192,310	1,193,547	763,346	(430,201)
Proceeds from the sale of capital assets	-	-	32,000	32,000
Discount on bonds issued	-	-	(5,625)	(5,625)
Transfers in	1,209,820	826,759	1,632,890	806,131
Transfers out	(1,209,820)	(1,983,545)	(1,632,890)	350,655
Total other financing sources (uses)	<u>1,192,310</u>	<u>36,761</u>	<u>789,721</u>	<u>752,960</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(945,358)</u>	<u>(1,111,149)</u>	<u>130,696</u>	<u>1,241,845</u>
Fund balances, beginning	<u>13,664,915</u>	<u>13,664,915</u>	<u>14,757,999</u>	<u>1,093,084</u>
balance, ending	<u>\$ 12,719,557</u>	<u>12,553,766</u>	<u>14,888,695</u>	<u>2,334,929</u>

See notes to the required supplementary information.

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City of Emmetsburg, Iowa
Notes to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2009

1. Budgetary Reporting

The budget includes the Component Units budgeted figures as well as the Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations last year.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, the budget amendments increased budgeted expenditures by \$1,127,780. These budget amendments are reflected in the final budgeted amounts.

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Page 1 of 4)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
ASSETS			
Cash	\$ -	24,259	1,320
Investments	-	-	-
Receivables			
Property taxes	509	6,263	3,840
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 509</u>	<u>30,522</u>	<u>5,160</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Compensated absences	-	-	-
Due to other funds	509	374	-
Due to Component Unit	-	-	-
Total liabilities	<u>509</u>	<u>374</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	30,148	5,160
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>30,148</u>	<u>5,160</u>
Total liabilities and fund balances	<u>\$ 509</u>	<u>30,522</u>	<u>5,160</u>

North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
54,309	1,695	-	42,113
-	-	-	2,352
-	-	-	-
-	-	-	402
-	-	-	-
-	-	-	-
-	-	1,549	-
54,309	1,695	1,549	44,867
-	-	-	125
-	-	-	-
-	-	703	-
-	-	-	-
-	-	703	125
-	-	-	-
-	-	-	-
-	-	-	-
54,309	1,695	846	44,742
-	-	-	-
54,309	1,695	846	44,742
54,309	1,695	1,549	44,867

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Page 2 of 4)

	Special Revenue		Permanent
	ECDC	Community	Perpetual
	Revolving Loan	Beautification	Care
	Fund	Fund	Fund
ASSETS			
Cash	\$ 5,169	11,343	68,085
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts	877	-	-
Other	10,965	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 17,011</u>	<u>11,343</u>	<u>68,085</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	1,202	-
Compensated absences	-	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Total liabilities	<u>-</u>	<u>1,202</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	68,085
Long-term loan receivable	10,965	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	6,046	10,141	-
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>17,011</u>	<u>10,141</u>	<u>68,085</u>
Total liabilities and fund balances	<u>\$ 17,011</u>	<u>11,343</u>	<u>68,085</u>

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
107,052	18,814	23,343	4,461
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
107,052	18,814	23,343	4,461
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
107,052	18,814	23,343	4,461
107,052	18,814	23,343	4,461
107,052	18,814	23,343	4,461

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Page 3 of 4)

	Capital Projects		
	Highway 18/ Urban Fund	Safe Routes to School Fund	Sewell Park Fund
ASSETS			
Cash	\$ 5,387		21,696
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts	-		-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	2,721	-
Total assets	<u>\$ 5,387</u>	<u>2,721</u>	<u>21,696</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -		-
Compensated absences	-	-	-
Due to other funds	-	2,721	-
Due to Component Unit	-	-	-
Total liabilities	<u>-</u>	<u>2,721</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	5,387	-	21,696
Total fund balances (deficit)	<u>5,387</u>	<u>-</u>	<u>21,696</u>
Total liabilities and fund balances	<u>\$ 5,387</u>	<u>2,721</u>	<u>21,696</u>

CDBG Housing Rehabilitation Fund	Wild Rose Allocation Fund
12,720	95,626
-	-
-	-
-	2,790
-	-
-	-
-	-
12,720	98,416
7	-
-	-
-	-
-	-
7	-
-	-
-	-
-	-
12,713	98,416
12,713	98,416
12,720	98,416

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Page 4 of 4)

	Capital Projects		
	CDBG Sewer Fund	Airport Land Fund	Monroe Street Project Fund
ASSETS			
Cash	\$ 5,271	32,179	62,337
Investments			-
Receivables			
Property taxes	-	-	-
Accounts	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 5,271</u>	<u>32,179</u>	<u>62,337</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,190	-	-
Compensated absences	-	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Total liabilities	<u>5,190</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual Care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	<u>81</u>	<u>32,179</u>	<u>62,337</u>
Total fund balances (deficit)	<u>81</u>	<u>32,179</u>	<u>62,337</u>
 Total liabilities and fund balances	 <u>\$ 5,271</u>	 <u>32,179</u>	 <u>62,337</u>

<u>Capital Projects</u>	<u>Total</u>
<u>Airport</u>	<u>Nonmajor</u>
<u>Environ. Assess</u>	<u>Governmental</u>
<u>Fund</u>	<u>Funds</u>
4,636	601,815
-	2,352
-	10,612
-	4,069
-	10,965
-	-
	4,270
<u>4,636</u>	<u>634,083</u>
-	6,524
-	-
-	4,307
-	-
<u>-</u>	<u>10,831</u>
-	-
-	68,085
-	10,965
-	-
-	153,087
<u>4,636</u>	<u>391,115</u>
<u>4,636</u>	<u>623,252</u>
<u>4,636</u>	<u>634,083</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2009
(Page1 of 4)

	Special Revenue			
	Emergency Fund	Employee Benefit Fund	South TIF Fund	North TIF Fund
Revenues:				
Property taxes and assessments	\$ 23,618	290,590	-	-
Tax increment financing	-	-	130,366	58,600
Other city taxes	603	7,420	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	259	741
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>24,221</u>	<u>298,010</u>	<u>130,625</u>	<u>59,341</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,221</u>	<u>298,010</u>	<u>130,625</u>	<u>59,341</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(24,528)	(307,967)	(126,934)	(56,658)
Total other financing sources (uses)	<u>(24,528)</u>	<u>(307,967)</u>	<u>(126,934)</u>	<u>(56,658)</u>
Net change in fund balances	(307)	(9,957)	3,691	2,683
Fund balances, beginning	307	40,105	1,469	51,626
Fund balances, ending	<u>\$ -</u>	<u>30,148</u>	<u>5,160</u>	<u>54,309</u>

Special Revenue		
North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
-	-	-
-	79,558	-
-	-	-
-	-	-
127	192	1,185
-	-	-
-	-	-
-	-	-
-	-	19,855
127	79,750	21,040
-	-	-
-	-	-
-	-	-
-	-	6,812
-	-	16,412
-	-	-
-	-	-
-	-	-
-	-	23,224
127	79,750	(2,184)
-	-	-
-	-	-
25,198	-	6,000
(24,115)	(79,554)	(43,335)
1,083	(79,554)	(37,335)
1,210	196	(39,519)
485	650	84,261
1,695	846	44,742

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2009
(Page 2 of 4)

	Special Revenue		Permanent
	ECDC	Community	Perpetual
	Revolving Loan	Beautification	Care
	Fund	Fund	Fund
Revenues:			
Property taxes	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Licenses and permits	-	-	-
Use of money and property	121	151	-
Intergovernmental	-	-	-
Charges for services	-	-	1,380
Special Assessments	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>121</u>	<u>151</u>	<u>1,380</u>
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	3,244	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>3,244</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121</u>	<u>(3,093)</u>	<u>1,380</u>
Other financing sources (uses)			
Bonds issued	-	-	-
Discount on bonds issued	-	-	-
Transfers in	-	10,000	-
Transfers out	-	(10,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	121	(3,093)	1,380
Fund balances (deficits), beginning	16,890	13,234	66,705
Fund balances (deficits), ending	<u>\$ 17,011</u>	<u>10,141</u>	<u>68,085</u>

[illegible]

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2009
(Page 3 of 4)

		Capital Projects		Capital Projects
	Highway 18/ Urban Fund	Airport Runway Fund	Safe Routes to School Fund	Airport Terminal Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	72	-	-	2
Intergovernmental	-	-	5,959	6,448
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>72</u>	<u>-</u>	<u>5,959</u>	<u>6,450</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	5,919	15,725
Total expenditures	<u>-</u>	<u>-</u>	<u>5,919</u>	<u>15,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72</u>	<u>-</u>	<u>40</u>	<u>(9,275)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	-	-	-	8,739
Transfers out	-	(34,994)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(34,994)</u>	<u>-</u>	<u>8,739</u>
Net change in fund balances	72	(34,994)	40	(536)
Fund balances (deficits), beginning	5,315	34,994	(40)	536
Fund balances (deficits), ending	<u>\$ 5,387</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sewell Park Fund	CDBG Housing Rehabilitation Fund	Wild Rose Allocation Fund
-	-	-
-	-	-
-	-	-
-	225	-
189	-	876
-	70,875	-
-	-	-
-	-	-
-	-	-
7,108	101	135,437
<u>7,297</u>	<u>71,201</u>	<u>136,313</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	93,500	-
-	<u>93,500</u>	<u>-</u>
<u>7,297</u>	<u>(22,299)</u>	<u>136,313</u>
-	-	-
-	-	-
3,000	1,232	37,460
<u>(2,177)</u>	<u>-</u>	<u>(175,826)</u>
<u>823</u>	<u>1,232</u>	<u>(138,366)</u>
8,120	(21,067)	(2,053)
<u>13,576</u>	<u>33,780</u>	<u>100,469</u>
<u>21,696</u>	<u>12,713</u>	<u>98,416</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
For the Year Ended June 30, 2009
(Page 4 of 4)

	Capital Projects			
	CDBG Sewer Fund	Airport Taxiway and Apron Fund	Airport Land Fund	Monroe Street Project Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	160	-	427	902
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>160</u>	<u>-</u>	<u>427</u>	<u>902</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	125,234	-	-	12,704
Total expenditures	<u>125,234</u>	<u>-</u>	<u>-</u>	<u>12,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,074)</u>	<u>-</u>	<u>427</u>	<u>(11,802)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	123,683	-	-	-
Transfers out	-	(37,460)	-	-
Total other financing sources (uses)	<u>123,683</u>	<u>(37,460)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,391)	(37,460)	427	(11,802)
Fund balances (deficits), beginning	1,472	37,460	31,752	74,139
Fund balances (deficits), ending	<u>\$ 81</u>	<u>-</u>	<u>32,179</u>	<u>62,337</u>

Airport Environ. Assess Fund	Nonmajor Governmental Funds
-	314,208
-	268,524
-	8,023
-	225
42	5,904
6,891	90,173
-	1,380
-	-
-	-
-	162,501
6,933	850,938

-	-
-	-
-	-
-	6,812
-	19,656
-	-
-	-
5,136	258,218
5,136	284,686
1,797	566,252

-	-
-	-
900	316,913
-	(979,456)
900	(662,543)
2,697	(96,291)
1,939	719,542
4,636	623,251

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City of Emmetsburg, Iowa
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Property taxes	\$ 1,270,629	1,167,586	1,108,502	1,029,329
Tax increment financing	268,524	191,200	76,339	54,733
Other City taxes	450,204	374,398	449,677	60,258
Licenses and permits	24,446	34,755	17,869	19,745
Use of money and property	59,268	81,011	95,116	77,524
Intergovernmental	731,704	950,442	933,757	1,575,834
Charges for services	111,235	21,504	35,706	38,425
Special Assessments	18,193	38,972	32,606	87,327
Miscellaneous	781,936	742,193	478,416	187,899
Total revenues	<u>\$ 3,716,139</u>	<u>3,602,061</u>	<u>3,227,988</u>	<u>3,131,074</u>
Expenditures:				
Current:				
Public safety	\$ 519,473	481,599	466,264	443,517
Public works	738,259	767,749	642,917	552,371
Culture and recreation	762,908	307,561	452,262	237,741
Community and economic development	92,149	203,066	219,598	115,743
General government	381,908	320,051	288,854	270,822
Debt service	513,374	511,351	422,997	417,892
Capital projects	1,785,406	1,334,966	1,109,497	2,055,638
Total expenditures	<u>\$ 4,793,477</u>	<u>3,926,343</u>	<u>3,602,389</u>	<u>4,093,724</u>

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Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council City
of Emmetsburg, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City of Emmetsburg Iowa's basic financial statements and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item I-B-09, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Emmetsburg, Iowa and other parties to whom the City of Emmetsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Emmetsburg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Burdorf, Parrott And Associates, P.C.

December 28, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

I-A-09 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-09 Audit Adjustments

Criteria - The City should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition - During the course of the audit, misstatements that had a material effect on the City's financial statement were discovered. Adjusting journal entries were made to correct these misstatements.

Context - Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect - As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation - We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Response - Management believes this change will result in potential financial statement misstatements being identified and corrected

prior to audit.

Conclusion - Response accepted.

I-C-09

Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation -

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget – Expenditures during the year ended June 30, 2009 did not exceed the amount budgeted.
- II-B-09 Questionable Expenditures – There were no questionable expenditures that fell outside its established policy on such costs.
- II-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-09 Business Transactions - Business transactions between the City and City officials or employees are as follows:

<u>Steve Finer, Council person</u>		
Jensvold Motor Company	Repairs and Supplies	\$ 1,982
<u>Gramowski Construction</u>	Airport Terminal	\$ 97,262
<u>Frank Kliegl, Building inspector</u>	Columarium	\$ 3,111
<u>Paul Saxton, EMU Trustee</u>		
Saxton's Greenhouse	Plants and Spraying	\$ 2,397
<u>Nick Steinkamp, EMU Trustee</u>		
K & W Electric Inc.	Repairs and supplies	\$ 2,202

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company, Saxton's Greenhouse and K & W Electric Inc. may represent a conflict of interest for the repairs and supplies since the total purchases exceed a cumulative total of \$1,500 for the year. The Columarium with Frank Kliegl and the Airport Terminal transactions with Gramowski Construction were entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation: The City should use competitive bidding process when practicable.

Response: The transactions were for normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable.

Conclusion: Response accepted.

- II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- II-F09 Council Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.